Andrew H. Junkin, CFA, CIMA, CAIA
Managing Director and Principal

September 20, 2008

Ms. Anne Stausboll
Interim Chief Investment Officer
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

Re: Global Equity – Trading Process

Dear Anne,

You requested Wilshire's opinion with respect to Staff's agenda item presenting an overview of Staff's process used to evaluate the effectiveness and value-added services offered by brokers used in executing trades for the Global Equity portfolio. Wilshire has reviewed the process and discussed its application with Staff, and feel that the process combines both qualitative and quantitative measures to produce a set of brokers offering excellent service to CalPERS.

Discussion

Global Equity's ongoing review of brokers play an important role in the success of the internally managed programs. Both execution and value-added services are critical to the ongoing success of these internally managed programs. Staff, working with Mosaic, has designed a process that objectively rates brokers on their capabilities. Brokers with existing relationships will be rated on actual trading history. Brokers seeking new business relationships with CalPERS will respond to a questionnaire and their capabilities will be assessed based on the questionnaire responses. Those who have appropriate capabilities will be used as part of the Developmental Pool and can become part of CalPERS' Core Pool of brokers, based on their actual trade execution capabilities. Brokers in the Queue Pool will have the opportunity to move into the Developmental Pool or the Core Pool as opportunities arise, either due to specific needs or as firms fall out of the Developmental Pool or the Core Pool due to performance reasons.

Conclusion

Wilshire believes this process of evaluating and selecting brokers creates a transparent process that allows for all interested and qualified parties to work with CalPERS as part of the Global Equity trading network.

If you have any questions or comments, please let me know.

Sincerely,